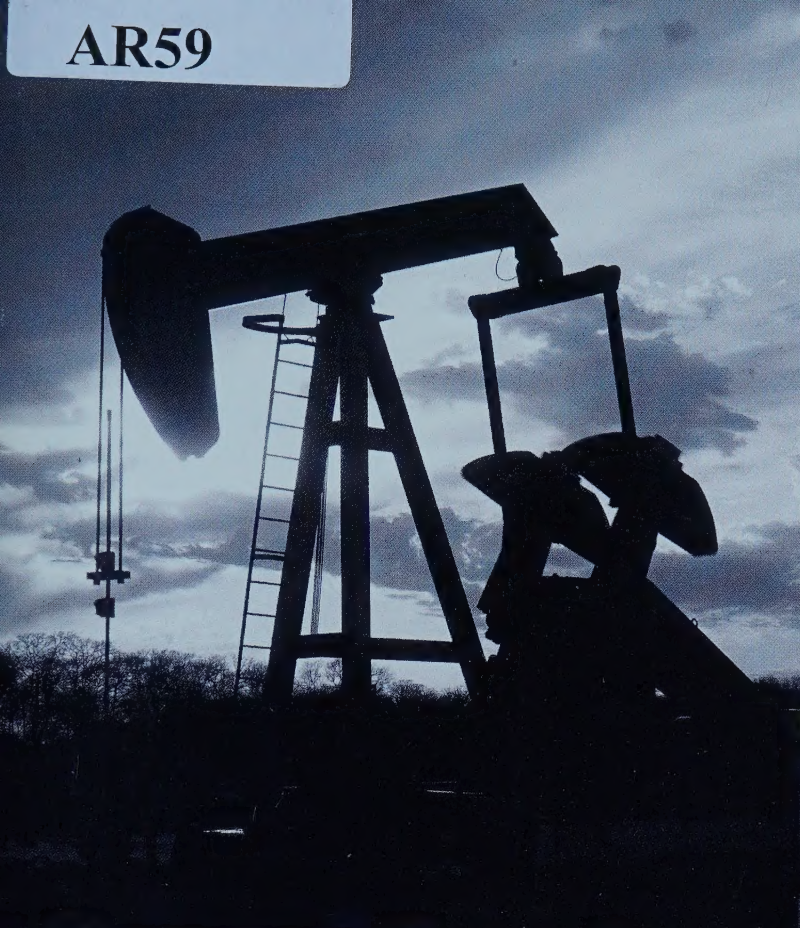


DORCHESTER ENERGY INC.

1999 Annual Report

CORPORATE PROFILE

Dorchester Energy Inc. is a Calgary based junior energy company, active in the exploration, development and production of oil and natural gas in the Western Canadian Sedimentary Basin. Focusing on low risk, multiple zone opportunities in south-central Alberta, the Company maximizes return on invested capital through strategic acquisitions, conservative exploration and production optimization while maintaining a healthy balance sheet.

The common shares of Dorchester trade on The Canadian Venture Exchange, under the symbol "DEI". As at March 31, 2000, the Company had 13,006,328 common shares issued and outstanding.

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Shareholders will be held on Monday, June 19, 2000 at 10:00 a.m. at the offices of Parlee McLaws, #3400, 150 - 6th Avenue S.W., Calgary. All Shareholders are encouraged to attend. Those unable to attend are requested to sign and return the proxy form mailed with this Report.

ABBREVIATIONS

mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mbbls	thousands of barrels
MSTB	thousand stock tank barrels
bbl	barrel
Bcf	billion cubic feet
NGLs	natural gas liquids
boe	barrels of oil equivalent (10 mcf = 1bbl)
boe/d	barrels of oil equivalent per day
ARTC	Alberta Royalty Tax Credit
WTI	West Texas Intermediate

FINANCIAL AND OPERATING HIGHLIGHTS

FINANCIAL

	1999	1998
Gross Production Revenue (Net of Royalties)	$ 1,688,264	$ 76,759
Funds Provided by (used in) Operations	628,154	(46,811)
Per share (cents)	0.06	0.00
Net Earnings (loss)	237,586	(45,908)
Per share (cents)	0.02	(0.01)
Capital Expenditures (Net of Dispositions)	2,661,518	514,767
Working Capital	57,775	509,310
Bank Debt	1,050,000	-
Shares Outstanding at Year-End	13,006,328	11,371,667

OPERATING

	1999	1998
Average Daily Production		
Oil & NGLs (bbl/d)	102.3	-
Natural gas (mcf/d)	915.3	80.0
Barrels of oil equivalent (boe/d)	194	8
Average Selling Price		
Oil & NGLs ($/bbl)	22.53	-
Natural gas ($/mcf)	2.76	1.82
Reserves		
Proven		
Oil & NGLs (mbbls)	391.0	33.0
Natural gas (Bcf)	6.36	2.20
Barrels of oil equivalent (mbbls)	1,027.0	253.0
Proven and half Probable		
Oil & NGLs (mbbls)	473.5	33.0
Natural gas (Bcf)	7.40	2.20
Barrels of oil equivalent (mbbls)	1,213.5	253.0
Undeveloped land (acres)		
Gross	19,743	9,711
Net	9,900	3,621

MESSAGE TO SHAREHOLDERS

Dorchester Energy enjoyed a successful year in 1999. The combination of higher commodity prices and acquisitions of key properties as well as the acquisition of unit and non-unit working interests in the Leduc and Bellshill Lake properties (in Alberta) resulted in significant increases in reserves, production, revenue and cash flow. In the latter part of 1999 and early 2000, production was brought on stream from our new core area at Michichi. These properties also present significant opportunities for production enhancement on a balanced basis between light oil and natural gas, enabling us to participate at higher working interests and set in motion a strategic platform for continued growth and success for our shareholders.

1999 Performance Highlights

- **Gross revenue (net of royalties) increased to $1,688,264**
- **Funds provided by operations increased to $628,154**
- **Net earnings increased to $237,586**
- **Year-end production increased to 274 boe/d**
- **Finding, developing and acquisition costs - $3.00/bbl**
- **Dorchester has adhered to its strategy - focusing on the development of shallow gas, low risk prospects in south-central Alberta**
- **Dorchester's overall product mix is well balanced at 52% oil and 48% natural gas**
- **Increased corporate reserves to one million boe**

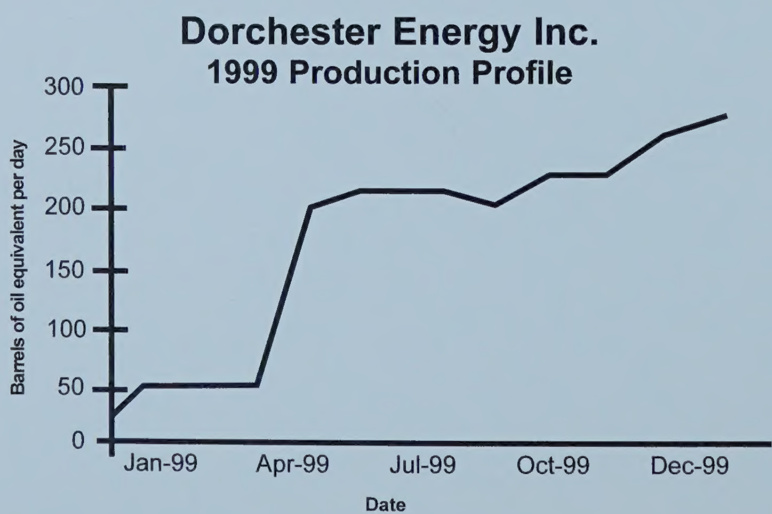
Outlook

Our outlook for 2000 is certainly promising. With current production levels at 360 boe/d, we will continue with our corporate objective of combining an aggressive forward-looking acquisition strategy with production enhancement, and increased participation at higher working interest levels to result in enhanced shareholder value, through increases in the Company's reserves, revenue and cash flow levels. More specifically, our plans for this year include participating in the drilling of 15 - 20 shallow to medium depth gas wells in south-central Alberta with a targeted year-end 2000 exit production rate of 600 boe/d.

In closing, I would like to extend my appreciation to our management and staff, to the Board of Directors for supporting Dorchester's vision and to our shareholders. We appreciate their support, enthusiasm and loyalty through the all-important stages of building a successful oil and gas company.

On behalf of the Board

Murray K. Scalf
President



REVIEW OF OPERATIONS

Michichi Area, Alberta

During 1999 the Michichi area was Dorchester's primary focus area for drilling and re-entry activity. We participated in the drilling of four gas wells and the re-entry of two gas wells, at an average working interest of 47%. The majority of this production was brought on-stream in January 2000, resulting in marked improvement for production and cash flow levels for the Company in the first quarter of 2000. Current net production is averaging 1200 mcf/d from five producing wells, with plans to drill an additional three wells in this area during the year.

Bellshill Lake Area, Alberta

Dorchester holds a 1.1% Unit interest in the Bellshill Lake Ellerslie Unit with net production of 55 bopd . During 1999, 21 wells were re-perforated to maximize production levels. An additional ten wells were drilled, resulting in eight new oil wells brought on-stream. Given the drilling success and re-entry operations conducted during this past year, the Operator has identified 40 new drilling locations. Plans for 2000 also include re-completion of an additional 30 wells , as well as several production enhancements to increase field efficiencies.

Leduc Area, Alberta

The Company acquired a 3.3% Unit interest and various other non-unit working interests in this property through two separate purchases completed during 1999 with current net production levels of 135 boe/d. During the year, we intend to bring on-stream a number of wells through recompletions and new drilling within the unit. In addition, the Company has identified several non-unit opportunities to bring on-stream in the next year.

Ashmont Area, Alberta

Dorchester acquired a 50% working interest in an existing natural gas property located at Ashmont, Alberta in early 1999. This property has 37 sections of land with six producing wells. Production levels from this property averaged 400 mcf/d. Infrastructure at this location includes a 20-mile gathering system with 4 compressors and 13 suspended or shut-in wells. During 2000, we anticipate drilling two wells and re-activating three gas wells.

Net Asset Value

As at January 1, 2000		**Total Proved ($000's)**	**Total Proved +Half Probable ($000's)**
Net Present Value of Reserves (Discounted @ 10% before tax)		$ 11,225	$ 13,016
Net Present Value of Abandonment and Site Restoration (Discounted @ 10%)		(400)	(400)
Undeveloped Land and Seismic (10,000 Net Acres @ $40/acre)		400	400
Working Capital		58	58
Long-term debt		(1,050)	(1,050)
Net Asset Value		**$ 10,233**	**$ 12,024**
Per Share			
Basic	(13,006,328)	**0.79**	**0.92**
Fully Diluted	(15,128,411)	**0.68**	**0.79**

REVIEW OF OPERATIONS

Production

	Oil & NGL (bbls/d)	Natural Gas (mcf/d)	Total (boe/d)
1998 Exit Production	0	200	20
1999 Exit Production	141	1,330	274

The Company's average daily production for 1999 increased to 194 boe/d from 8 boe/d in 1998.

Reserves

The sales volumes and net present value of petroleum and natural gas reserves have been evaluated as at December 31, 1999 by our independent engineering consultants. The reserves presented in the following table represent Dorchester's share of sales volumes before royalty burdens.

Reserve Summary

	Remaining Recoverable Reserves		
	Proved	50% Probable	Proved plus 50% Probable
Gas (BCF)	6.36	1.04	7.40
Oil & NGLs (MSTB)	391.0	82.5	473.5

On a proven basis, natural gas represents 62% and crude oil and NGL's represent 38% of the Company's year-end reserves.

The associated pricing assumptions, as determined by Sproule Associates Limited, are as follows:

Pricing Assumptions

As at January 1, 2000

Year	Oil WTI @ Cushing ($US/bbl)	Gas AECO ($Cdn/mmbtu)	Exchange Rate (US/Cdn)
2000	20.00	2.93	0.70
2001	20.30	2.83	0.72
2002	20.60	2.81	0.73
2003	20.91	2.85	0.73
2004	21.23	2.89	0.73

MANAGEMENT'S DISCUSSION AND ANALYSIS

Information outlined in this Discussion and Analysis relates to 1999 results. Comparative results for 1998 are not presented due to the immateriality.

1999 Highlights

- Purchased three producing properties during the year which significantly increased production and cash flow
- Issued 1,634,661 flow through shares for gross proceeds of $572,131
- Established a $1.5 million production loan facility which was subsequently increased to $4.5 million.

Petroleum and Natural Gas Revenues

Outlined below is a summary of petroleum and natural gas revenues for fiscal 1999.

	Daily Production	Annual Production	Average Prices	Total Reserves
Oil and NGL's (bbls)	102.3	37,340	$22.53	$841,286
Natural gas sales (mcf)	915.3	334,082	$2.76	$923,211
			Total	**$1,764,497**

Average daily production for 1999 of 194 boe/d included a mix of 53% oil and NGL's and 47% natural gas. All products were sold on the spot market. Substantially all of the production for the year was attributed to the three properties purchased during 1999 at Ashmont, Leduc, and Bellshill. Michichi production was brought on stream in the latter part of 1999 and in the first quarter of 2000.

Operating Netbacks

	Per boe ($)
Average sale price	24.94
Royalties (net of ARTC)	(2.84)
Operating cost	(9.09)
Operating netback	13.01

Royalties

Total royalties amounted to $200,712 translating into $2.84 per boe or 11.4% of revenue.

Operating Costs

Total operating costs reported on the financial statements amounted to $643,180. On a boe basis this equated to $9.09 per boe. The Company continues to optimize operations to reduce future operating costs.

Other Revenue

Other revenue in 1999 of $124,479 was comprised of royalty revenue of $97,311 and processing income of $25,030.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

General and Administrative Expenses

During 1999, G&A increased to $356,434. The significant increase in activity during the year led to staff additions, increased comprehensive general liability and well control insurance, increased audit & legal fees, and increased professional fees for reserve reports, all of which contributed to the increased G&A expense.

Depletion, Depreciation and Amortization

Depletion, depreciation and amortization for 1999, exclusive of the provision for site restoration, amounted to $180,333 as a result of the increased asset base and increased production.

Interest Expense

The Company reported $60,496 of interest expense in 1999. This is attributable to the Company drawing on its newly established production loan facility during 1999. As at year-end December 31, 1999 the Company had utilized $1,050,000 of this facility.

Provision for Site Restoration

The Company has estimated a total future site restoration liability of $645,000 with a current provision of $30,235 for 1999. This reflects the significant increases in the number of wells owned by the Company as a result of the property acquisitions and new wells drilled.

Deferred Income Taxes

The Company reported a deferred income tax provision for 1999 of $180,000 which represents both federal and provincial tax (rate of 44.6%) on accounting income (net of permanent differences). Effective January, 2000 the Company will be adopting a new standard for accounting for income taxes which it expects to apply retroactively without restatement of prior periods.

Capital Expenditures

During 1999 Dorchester reported capital expenditures, net of disposition proceeds, of $2.7 million. Gross capital expenditures amounted to $3.1 million and related primarily to property acquisitions at Bellshill, Leduc and Ashmont. Drilling and completion of wells during 1999 amounted to $885,830 with the majority of the capital being expended at Michichi. Proceeds from the Leo property disposition amounted to $450,000 .

Financial Resources and Liquidity

As at December 31, 1999 Dorchester had long-term debt of $1,050,000 and working capital of $57,775. The production loan facility at December 31, 1999 of $1.5 million has been increased to $4.5 million effective May 1, 2000. Estimated capital expenditures for 2000 of $3,365,100 will be financed through a combination of internally generated cash flow and the existing credit facility, with a possibility of future equity financing.

MANAGEMENT'S REPORT

The accompanying financial statements and all information in the Annual Report are the responsibility of management. The financial statements have been prepared by management in accordance with the accounting policies described in the notes to the financial statements. The financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The financial information contained elsewhere in the Annual Report has been reviewed to ensure consistency with that in the financial statements.

Management maintains a system of internal accounting controls, policies and procedures in order to provide reasonable assurance as to the reliability of the financial records and the safeguarding of assets.

External auditors, appointed by shareholders of the Company, have examined the financial statements and have expressed an opinion on the statements. Their report is included with the financial statements.

The Board of Directors of the Company has established an Audit Committee, consisting of non-management directors, to review these statements with management and the auditors. The Audit Committee has approved these statements on behalf of the Company's Board of Directors.

Murray K. Scalf
President and C.E.O.

Kenneth M. Gilbreath
Vice President and C.O.O.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of Dorchester Energy Inc. as at December 31, 1999 and 1998 and the statements of operations and retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and 1998 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Calgary, Canada
April 6, 2000

DORCHESTER ENERGY INC.
Balance Sheets

As at December 31, 1999 and 1998

	1999	1998
Assets		
Current assets:		
Cash and short-term deposits	$ -	$ 540,758
Accounts receivable	941,561	15,161
Share issuance proceeds receivable	-	27,000
Prepaid expenses	79,319	27,625
	1,020,880	610,544
Capital assets (note 3)	2,959,802	836,842
	$ 3,980,682	$ 1,447,386
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 963,105	$ 101,234
Long-term debt (note 4)	1,050,000	-
Provision for future site restoration	30,235	-
Deferred income taxes	435,170	358,225
Shareholders' equity:		
Share capital (note 5)	1,142,440	865,781
Contributed surplus	13,250	13,250
Retained earnings	346,482	108,896
	1,502,172	987,927
	$ 3,980,682	$ 1,447,386

See accompanying notes to financial statements.

On behalf of the Board:

_______________ Director

_______________ Director

DORCHESTER ENERGY INC.
Statements of Operations and Retained Earnings

Years ended December 31, 1999 and 1998

	1999	1998
Revenue:		
Petroleum and natural gas	$ 1,764,497	$ 37,303
Royalties (net of ARTC)	(200,712)	(711)
	1,563,785	36,592
Other	124,479	40,167
	1,688,264	76,759
Expenses:		
Operating	643,180	15,621
General and administrative	356,434	107,631
Depletion, depreciation and amortization	210,568	14,897
Interest	60,496	318
	1,270,678	138,467
Earnings (loss) before income taxes	417,586	(61,708)
Income taxes (note 6):		
Deferred (reduction)	180,000	(15,800)
Net earnings (loss)	237,586	(45,908)
Retained earnings, beginning of year	108,896	154,804
Retained earnings, end of year	$ 346,482	$ 108,896
Earnings (loss) per share	$ 0.02	$ (0.01)

See accompanying notes to financial statements.

DORCHESTER ENERGY INC.

Statements of Cash Flow

Years ended December 31, 1999 and 1998

	1999	1998
Cash provided by (used in):		
Operations:		
Net earnings (loss)	$ 237,586	$ (45,908)
Add items not utilizing cash:		
Depletion, depreciation and amortization	180,333	14,897
Provision for site restoration	30,235	-
Deferred income taxes	180,000	(15,800)
Funds provided by (used in) operations	628,154	(46,811)
Net change in non-cash working capital items related to operating activities	(574,172)	22,933
	53,982	(23,878)
Financing:		
Long-term debt	1,050,000	-
Issuance of shares (net of issue costs)	572,131	842,017
Share purchase loan	(40,302)	-
Net change in non-cash working capital items related to financing activities	27,000	(27,000)
	1,608,829	815,017
Investing:		
Acquisition of capital assets	(3,111,518)	(629,867)
Disposition of capital assets	450,000	115,100
Net change in non-cash working capital items related to investing activities	457,949	(4,384)
	(2,203,569)	(519,151)
Net increase (decrease) in cash	(540,758)	271,988
Cash and short-term deposits, beginning of year	540,758	268,770
Cash, end of year	$ -	$ 540,758

See accompanying notes to financial statements.

Dorchester Energy Inc. (the "Corporation") is incorporated under the laws of the province of Alberta. The Company is active in the exploration, development and production of oil and gas, primarily in Alberta.

1. Significant accounting policies:

(a) Oil and gas assets:

The Corporation follows the full cost method of accounting for petroleum and natural gas properties whereby all costs relating to the exploration for, and acquisition and development of, petroleum and natural gas reserves are capitalized into a single Canadian cost centre. Such costs include lease acquisitions, geological and geophysical activities, lease rentals on undeveloped properties, drilling of both productive and unproductive wells, plant and equipment costs, and administration costs reasonably allocable to these activities. Proceeds received from the disposition of petroleum and natural gas properties are accounted for as a reduction to the capitalized costs unless this treatment would result in a material change (20%) in the rate of depletion in which case the gain or loss would be reported in earnings.

Capitalized costs are depleted and depreciated using the unit-of-production method, based on total proven petroleum and natural gas reserves, before royalties, as determined by independent evaluators. For purposes of the depletion and depreciation calculation, natural gas reserves are converted to a petroleum equivalent unit of measure on the basis of their approximate relative heating value. The carrying values of undeveloped properties are excluded from the depletion and depreciation calculation.

The Corporation applies a ceiling test to capitalized costs, net of accumulated depletion and depreciation, to ensure these do not exceed the estimated undiscounted value of future net revenues from proven petroleum and natural gas reserves, based on year end prices and costs, adjusted for estimated future general and administrative expenses, abandonment and site restoration costs, financing costs and income taxes. The Corporation periodically reviews the costs associated with undeveloped properties to determine whether the costs will be recoverable. If the results of the review indicate an impairment has occurred the amount of impairment is added to the costs subject to depletion.

Substantially all of the Corporation's petroleum and natural gas activities are conducted jointly with others. The financial statements reflect only the Corporation's proportionate interests in such activities.

(b) Future site restoration costs:

Estimated future site restoration costs are provided for over the life of the proven reserves on a unit of production basis. Costs are estimated each year by management in consultation with the Corporation's engineers based on current regulations, costs, technology and industry standards. Actual site restoration expenditures are charged to the accumulated provision

1. Significant accounting policies (continued):

account as incurred. Prior to 1998 the Corporation provided for site restoration costs on a straight line basis. The change to the unit of production basis did not have a material impact on the results of operations.

(c) Depreciation and amortization - other assets:

The Corporation provides for depreciation and amortization on equipment and other assets on a declining balance basis at rates varying between 20% to 100% per year.

(d) Stock options:

No compensation expense is recorded when stock options are granted. Any consideration received on exercise of stock options is included in share capital.

(e) Per share amounts:

Per share amounts are calculated using the weighted average number of shares outstanding during the year. Fully diluted per share amounts are not presented as the effect of exercise of options are anti-dilutive.

(f) Management estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ materially from those estimates.

(g) Income taxes:

The Corporation follows the deferral method of tax allocation as its basis of accounting under which the provision for corporate income taxes is based on the earnings reported in the accounts and takes into account the tax effects of timing differences between financial statement income and taxable income.

2. Financial instruments and credit risk:

(a) Financial instruments:

The Corporation's financial instruments consist of cash, accounts receivable, accounts payable, and long-term borrowings. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

2. Financial instruments and credit risk (continued):

(b) Credit risk:
The Corporation is subject to credit risk through trade receivables as a substantial portion of its debtors' ability to pay is dependent upon the energy sector in Western Canada. The Corporation performs ongoing credit evaluations of its customers' and joint venture partners' financial condition and limits the amount of credit extended when deemed necessary.

As at December 31, 1999 the Corporation had amounts owing from joint venture partners of approximately $659,000, 96% of which was due from three oil and gas companies.

3. Capital assets:

December 31, 1999	Cost	Accumulated depletion, depreciation and amortization	Net book value
Petroleum and natural gas interests	$ 3,155,392	$ 202,653	$ 2,952,739
Other assets	14,552	7,489	7,063
	$ 3,169,944	$ 210,142	$ 2,959,802
December 31, 1998			
Petroleum and natural gas interests	$ 859,887	$ 25,671	$ 834,216
Other assets	6,764	4,138	2,626
	$ 866,651	$ 29,809	$ 836,842

4. Long-term debt:

At December 31, 1999, the Corporation had a revolving demand facility with a Canadian Chartered Bank in the maximum amount of $1,500,000 (1998 - $120,000). The facility is repayable on demand and advances bear interest at the bank prime rate plus 1%. The facility is subject to annual review with the last review completed in May, 1999. The bank has advised that, subject to the Corporation maintaining an adequate borrowing base and satisfying conditions as outlined in the credit agreement, advances will remain outstanding with no principal repayments required. Accordingly, the debt is reflected as non-current in the accounts.

The facility is secured by a fixed and floating charge debenture in the amount of $3,000,000 and a general security interest on all of the Corporation's petroleum and natural gas assets.

5. Share capital:

(a) Authorized:

Unlimited common voting shares
Unlimited preferred shares issuable in series

(b) Issued:

Common shares	Number of Shares		Amount
Balance, December 31, 1997	6,550,000	$	381,989
Flow-through shares	4,425,000		805,000
Share issue costs	-		(4,983)
Exercise of options	396,667		42,000
Tax effect flow-through share renouncements	-		(358,225)
Balance, December 31, 1998	11,371,667		865,781
Flow-through shares	1,634,661		572,131
Tax effect flow-through share renouncements	-		(255,170)
	13,006,328		1,182,742
Share purchase loan	-		(40,302)
Balance, December 31, 1999	13,006,328	$	1,142,440

(c) Flow-through shares:

In 1999, 1,634,661 shares issued for $0.35 were flow-though shares for income tax purposes whereby the income tax benefits of the related expenditures on resource properties flowed to the shareholders. The share capital was reduced by the value of the tax benefit to be renounced to shareholders. Attached to 2,825,000 of the flow-through shares issued in 1998 were warrants exercisable at $0.35. One warrant was granted for every two flow-through shares issued. These warrants were due to expire on November 15, 1999, and were subsequently extended to November 15, 2000 with all other terms and conditions remaining unchanged.

(d) Options:

The Corporation's stock option plan provides for the issue of stock options to directors, officers, employees, consultants and other key personnel. The number of stock options out standing as at December 31, 1999 was 1,133,333 exercisable at prices ranging from $0.15 to $0.25 and expiring on dates from 2003 to 2004. Changes in options outstanding are as follows:

Years ended December 31, 1999 and 1998

5. Share capital (continued):

	1999		1998	
	Options	Weighted average	Options	Weighted average
Beginning of year	653,333	$0.15	-	-
Granted	480,000	$0.22	653,333	$0.15
End of year	1,133,333	$0.17	653,333	$0.15
Exercisable	1,108,333	$0.18	653,333	$0.15

(e) Share purchase loans:

During 1999 the Corporation authorized the issue share purchase loans totaling $80,000 for two officers. As at December 31, 1999 $40,302 of this facility had been drawn in respect of purchase of 77,000 common shares at an average price of $0.40. These loans are interest free and are secured by common shares purchased.

6. Income taxes:

The provision for income taxes differs from the amount obtained by applying the combined Federal and Provincial income tax rate of 44.6% to income before income taxes. The difference relates to the following items:

	1999	1998
Statutory tax rate:	44.6%	44.6%
Expected provision (recovery)	$ 186,243	$ (27,522)
Depletion of assets without tax base	11,265	-
Non deductible crown payments, net of royalty credits	60,309	-
Resource allowance	(71,975)	-
Unrecognized benefit of losses	-	11,722
Recognition of prior years' losses	(11,722)	-
Other	5,880	-
	$ 180,000	$ (15,800)

At December 31, 1999 capital assets include petroleum and natural gas interests without tax bases with a net book value of $422,000.

CORPORATE INFORMATION

DIRECTORS & OFFICERS

Murray K. Scalf
Director, President, C.E.O. & C.F.O.

Kenneth M. Gilbreath
Director, Vice-President and C.O.O.

Vince Ghazar
Controller

Randy Kwasnicia
Director

Todd McAllister
Director

J. Colin McPhee
Director

Kenneth Stephenson
Director

INVESTOR RELATIONS
Murray K. Scalf, President and C.E.O.
Tel.: (403) 237-7788; Fax: (403) 264-9101

CORPORATE HEAD OFFICE
#600, 909-7th Avenue S.W.
Calgary, Alberta, T2P 1A6
Tel.. (403) 237-7788
Fax. (403) 264-9101

BANKERS
Alberta Treasury Branches

SOLICITORS
Parlee McLaws

AUDITORS
KPMG LLP

REGISTRAR & TRANSFER AGENT
Montreal Trust Company of Canada

STOCK EXCHANGE LISTING
Canadian Venture Exchange: Symbol "DEI"

Designed and Produced by Sandown Corporation

DORCHESTER ENERGY INC.

600, 909 - 7th Avenue S.W.
Calgary, Alberta, Canada
T2P 1A6
Tel: (403) 237-7788
Fax: (403) 264-9101
Email: dorcen@telusplanet.net
Trading Symbol. DEI (CDNX)